

Kentucky Agricultural Finance Corporation

Minutes of the September K AFC Meeting

The meeting of the Kentucky Agriculture Finance Corporation was held on September 10, 2004 at 1:00 PM EDT at the Franklin County Extension Office, Frankfort. Mark Farrow, presiding, called the meeting to order, and the Secretary called roll.

Members Present

Harold Benson; Doug Lawson; Bob Proffitt; Annette Crawford-Walters; Jane Jones; Billy Hurd; Mark Farrow (Commissioner Farmer, designee);

Members Absent

Billy Joe Miles, Charles Miller; Sandy Ross; Robbie Rudolph

Others Present

Staff-Keith Rogers; Tim Hughes; Brian Furnish; Catherine Ball; Lucinda T. Pease; Kara Keeton

Guests-Lowell Achtle, Legislative Research Commission (LRC)

Notification of Media

Keith Rogers, Executive Director, verified notification of the press regarding the Kentucky Agricultural Finance Corporation meeting.

Welcome

Mark Farrow (Commissioner Farmer, designee) welcomed everyone to the meeting.

Approval of Minutes

Harold Benson moved to approve the minutes. Annette Crawford-Walters seconded the motion. The motion passed without dissent.

Executive Directors Report

Mark Farrow yielded the floor to Keith Rogers for the Executive Director's report.

The transfer of KAFC to GOAP is now complete, with GOAP having possession since mid-July. Mr. Rogers welcomed Tim Hughes as new GOAP staff/ Marketing and Business Development Coordinator for KAFC. Catherine Ball is a shared staff member for GOAP and KAFC as Legal Counsel. Brian Furnish and Bill McCloskey will also assist Tim Hughes in future proceedings with KAFC. Mr. Rogers also introduced Lucinda T. Pease as a new GOAP staff member. She will be working with the KAFC as Board Secretary. Any arrangements or board meeting activities will be handled by Lucinda. Angela Blank, Executive Assistant, will be handling expense and travel vouchers. Lucinda will serve as liaison between KAFC and Angela, as needed

David Bratcher's Personal Service Contract expired June 30. The RFP for a consultant has been posted and we hope to have the consultant on board by mid-October. This position will make Tim available to focus more on marketing and developing the business, and allow the Consultant to process the loan applications.

Mr. Rogers gave a quick update on the Biosciences Consortium. The Governor appointed the Life Sciences/Biosciences Consortium to put together a strategic plan to recruit these types of businesses into Kentucky. This plan is due to the Governor by October 1. The two areas they are focusing on are medical devices and natural products. The natural products area does affect the agriculture industry. Expected date of delivery to the Governor is October 5. The Economic Development Cabinet is heading the mission of recruiting these companies. It is not known yet if there is a role in this for the KAFC.

Mr. Rogers updated the board on the status of the \$17 million recaptured by the Governor in January in an effort to help balance the budget. The money is coming back; however, details still depend on the budget. If a budget is not reached by January, the Governor has the authority to put the money back if need arises.

Old Business

***Green River Cattle Company**

Tim updated the board on the status of Green River Cattle Company. The line of credit approved by KAFC for GRCC through Community Trust bank in Campbellsville was financed by the bank without participation through KAFC. GRCC has sent a letter of release to KAFC in accordance with the loan. GRCC inquired about the board funding the refinancing of the \$125,000.00 loan to \$275,000.00. Tim met with GRCC Board members and Dave Maynard of Community Trust Bank to explore Investment Fund for Agriculture and Linked Deposit Loan options. GRCC is still experiencing substantial operating losses. Product demand seems to be good, but the viability of their project is still in question. Board members and staff expressed concern about financing operating loans and indicated that equipment, buildings, and real estate loans were better suited for KAFC.

***Fresh Meal Solutions**

Mr. Rogers updated the Board on the Baird's project of meals ready to go for Wal-Mart. They have an amended agreement with the ADB for a \$1,000,000.00 forgivable loan to expand operations of Little Kentucky Smokehouse. They have arrangements with pork producers and can process 90% of hams raised in Kentucky.

***Apo Immune**

Mr. Rogers received further information from them and does not see their venture meeting KAFC loan guidelines. Mr. Rogers didn't feel they would be back before the Board for consideration.

***Union County Biodiesel**

This is a project from the March meeting and is still pending with ADB. They are still working on coming up with investors and meeting capital needs. Mr. Rogers advised there is a good chance they will approach the Board in the future.

***Lake Cumberland Milling Company**

The project was approved in May by the ADB for \$1.1 million.

***Close out of Old Revolving Loan Program**

A review of old loans showed that all old outstanding loans were closed out in 2003 and the money left over from the loans was rolled into the General Fund to help balance the budget.

New Business

Tim informed the Board about the notebooks and their use.

-Changes to the Board Member information included:

Jane Jones- (No Box #)
Farm Credit Services
Zip 42101

Harold Benson-change cell phone to (502) 320-0064

Catherine Ball stated there is a public hearing on September 23, 2004, in regards to the regulations concerning selling loans in the secondary market.

***Current Fund Balance**

As of 9/8/04 the current fund balance is \$3,018,744.33 and the \$18,744.33 is interest accrued.

Investment rate is 1.13%

***Linked Deposit Agriculture Loans**

There are \$6,544,695.50 in outstanding loans as of 8/31/04 and only 9 loans originating in the new calendar year.

***Operations Committee Recommendations**

Catherine Ball delivered the Operations Committee Recommendations

Loan Programs

Link Deposit

The committee recommends that the Board direct the GOAP to market the program and have open communication with the local banks.

The committee directs the GOAP staff to support the Economic Development Cabinet in the increase of the maximum for each loan to be raised from \$100,000.00 to \$200,000.00.

The committee recommends that the GOAP staff on behalf of the Board stay neutral on the decrease in interest rate from 2% to 1%.

Investment Fund for Agriculture

The committee recommends that two separate loans be created when initiating IFA loans; one originating from KAFC and one from the local bank. If the bank so chooses, it may service both loans so long as they charge less than 0.5% per loan for KAFC's portion to do the processing. The bank shall then make at least an annual payment from the bank to KAFC on behalf of the borrower. Should the bank not choose to service KAFC's loan, the GOAP staff shall service the loan in house.

Agriculture Endeavors Lease

The committee recommended only using real property as an investment for this program.

The committee further recommended if the application is for an existing facility or includes specialized equipment rather than a shell of a building, then the Board shall consider on a case by case basis the use of equipment as part of the investment. This change will require a modification of the legal agreement between the ADB and KAFC.

Young Farmer's Loan

FSA sent KAFC a letter waiving their standard guarantee fee.

The committee recommends that the Board charge a 0.5% origination fee on both the Young Farmer and Investment Fund for Agriculture loans on the amount of the loan.

Equity Manager Program

The Committee recommends that the Board look into this program and others like it further.

Meetings

Board

The committee recommended that the monthly meetings shall be held in Frankfort on the first Friday of each month, with the next meeting on November 5, 2004.

The committee further recommended that if it is not necessary to meet, the GOAP staff will notify the members that the meeting is cancelled for that month no later than 10 days prior to the meeting.

Committees

The committee recommends that committees will meet as needed on the same day as the Board meeting.

Loan Review Committee

The committee recommends establishing a Loan review committee consisting of three members to handle the initial review and make decisions on the applications which will then be presented by the committee and approved by the full Board at regularly scheduled meetings.

The committee recommends that the Loan Review Committee shall meet one week prior to the scheduled Board meeting. This meeting may be conducted via conference call.

A motion to adopt the Operations Committee Report was made by Harold Benson and seconded by Doug Lawson.

The motion passed without dissent.

*Marketing Committee Recommendations

Kara Keeton delivered the Marketing Committee Recommendations

The committee recommended that a closer working relationship with KADB be established.

The committee proposed getting an up-to-date list of Funded ADB non-model state projects.

The committee recommended that all information be updated on the website by November 1.

The committee recommended continuing current promotional efforts with the addition of creating a speaking packet for the Board members, including a promotional mailing piece in Phase II mailings and through cooperation with the Burley Co-op, and doing local press releases with a quote from area Board members.

Motion was made by Billy Hurd and seconded by Doug Lawson to adopt the Marketing Committee Report. Motion passed without dissent.

Other Business

Tim informed the Board of his attendance to the Kentucky Bankers Convention in Northern Kentucky over the weekend.

Harold Benson announced two conferences coming up:
Women in Agriculture in Louisville and the *Small and Limited Resource Farmers Meeting*.

Mr. Rogers announced that the ADB is holding a 2 day strategic planning session in October. Short and long term goals on the future of the ADB will be the focus. Different groups have been asked to submit ideas and comments to the GOAP. He extended an invitation to KAFC Board members to attend.

Catherine Ball addressed the concerns regarding sovereign immunity. There is legal documentation included within the Board books that explains the issue and states that individuals are not held liable for Board decisions. KRS.247.964 also releases board members of any personal liability regarding KAFC as long as they are acting as a board. 302 KAR 3:010 will need to be amended to reflect the change from KDA to KAFC.

The next meeting is set for November 5, in Frankfort.

Adjournment

Doug Lawson moved to adjourn without objection. Mark Farrow adjourned the meeting.